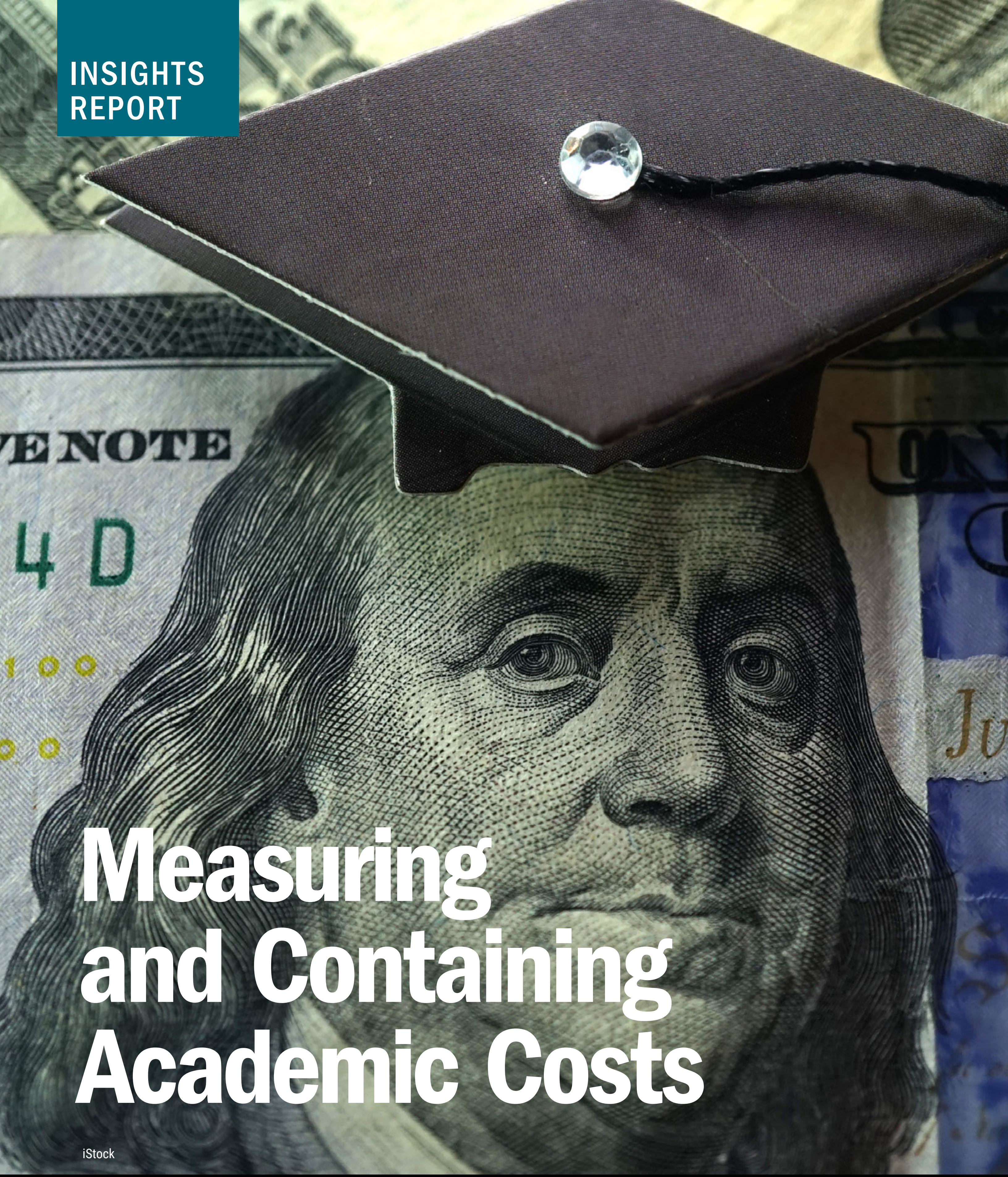
INSIGHTS REPORT



Measuring and Containing Academic Costs

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THE CHRONICLE OF HIGHER EDUCATION

Before arriving at Workday in September 2022, I served as vice president and chief information officer for The Ohio State University where I witnessed digital transformation up close. Now, I am excited to engage with my former peers, colleagues, and friends as I lead the Workday higher education industry. Workday is the digital backbone that powers higher education institutions to conduct life-changing research, support their faculty communities, and drive their students to graduation and beyond.

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In my conversations with campus leaders I've found that, first and foremost, they are seeking solutions that deliver accurate and timely insights to help drive institutional excellence. The intelligent data core in Workday unifies the traditional silos within a single platform, providing new insights at every level of your institution. Secondly, campus leaders are seeking extensible and flexible cloud platforms to support their institution's ever-changing needs. And last, but certainly not least, is the need for student management platforms that support the success of all students.

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My team is here to create solutions that are vital to your institution's success, and we look forward to partnering with you now and into the future.

Sincerely,

Mike Hofherr
General Manager, Workday for Higher Education

Measuring and Containing Academic Costs

Contact CI@chronicle.com with questions or comments.

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INTRODUCTION


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Colleges throughout the country have grappled with declining enrollments in recent years, a trend that worsened during the Covid-19 pandemic and is expected to continue due to shifting demographics.

At the same time that student demand is decreasing, many colleges have expanded their infrastructures — not just their facilities but also their academic programs and the size of faculty and staff. As a result, colleges are faced with finding new ways to get their costs under control. Especially for smaller institutions in regions where traditional-aged student populations are declining, containing academic costs has become a top priority.

College leaders are pursuing different strategies for bringing down expenses, yet understanding the true costs of academic programs is often challenging.

Some argue that administrators should identify programs or courses that are underperforming or no longer meet the needs of the college and cut them, while investing in others that will better attract students. The most financially vulnerable colleges should also consider large-scale online course-sharing with other institutions to control costs.

Others believe that program cuts could actually backfire by damaging a college's reputation, placing it in an even more precarious financial situation. In some cases, the best way forward is to find new ways to grow.

Finding efficiencies by cutting courses and programming can be difficult. Decisions need to be both data-driven and qualitative, factoring in an institution's mission and its individual identity. And when making any kind of academic change, whether pursuing cuts or investing in new or expanded programs, college leaders should take a collaborative approach, involving and updating members of the campus community throughout the process.

The following report will review the benefits of both making cuts and expanding programming to improve a college's bottom line. It will also explain how college leaders can evaluate potential cuts and why involving the campus community at large could result in better decisions and greater support among faculty members.

Making Program Cuts Effective

Coming out of the pandemic lockdowns, leaders at Clark University, a private college in Worcester, Mass., launched a strategic-planning process aimed at identifying new ways to offer compelling programming that built on its institutional strengths. The process also reconsidered existing programming with low enrollment that was not meeting the needs of its students, says Clark's provost, Sebastián Royo.

The idea, Royo says, was to reinvigorate the university's degree offerings to satisfy the evolving demands and interests of their prospective students amid anticipated demographic declines in the region.

Over the past five years, Clark stopped offering several programs while not eliminating any faculty or staff positions in the process. Among those cutbacks were a master's-degree program in professional communication, an undergraduate computer-science program, a graduate-certificate degree program for cannabis regulatory affairs, and a pair of international-based economics programs.

"There's still room for building efficiencies and to make sure we are deploying the resources in the most effective way," says Royo. "That's still an ongoing process and there's more to do."

All institutions should be reviewing enrollments and programs every year, says Paul Friga, a clinical associate professor of strategy and entrepreneurship at the University of North Carolina at Chapel Hill and a senior consultant at the Association of Governing Boards of Universities and Colleges. College leaders should

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remove outdated programs that no longer appeal to students or employers, and add courses that are in demand. "It should be a continuous improvement process," he says.

Many colleges are seeing declining enrollments and will have to make significant changes, Friga says, "just like any other industry would when there's a decrease in demand."

Finding efficiencies is necessary for many colleges but not sufficient, says Richard Staisloff, senior partner at rpk GROUP, an education-consulting firm. Cuts allow institutions to harvest existing resources, such as money, people, and time, that can be reinvested toward growth opportunities. But that process needs to be combined with a deeper understanding of what the institution's academic portfolio should look like, Staisloff says.

"You can't solve the problem just by looking at efficiencies," says Staisloff. "And higher ed, in my opinion, is going to have to develop a much more streamlined set of programs that better reflect the job they are being asked to do today."

For many colleges that struggle to remain financially viable, efficiencies and cuts may need to be made at a much larger scale, says Gary Stocker, founder of College Viability, a firm that provides comparisons on the financial health and viability of colleges. Small- and medium-sized public and private colleges can achieve efficiencies at the needed scale through course-sharing, he says.

For example, 10 colleges located in the same state could jointly offer upper-level finance and accounting courses online, with students receiving credits from their home university. Through such a partnership, one faculty member could teach 100 students from 10 institutions, instead of each institution paying a faculty member to teach just 10 students. "By definition, that's inefficient," says Stocker.

Many colleges are starting to offer online courses, but cases in which one professor teaches five to 10 students aren't going to achieve the needed scale. "No amount of marketing, no amount of tinkering around the edges, is going to change the economic reality that there's too much supply and not enough demand for almost all college programs," says Stocker.

When college leaders do make cuts, they need to make sure they are solving the right problem, says Robert Atkins,

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chief executive of the consulting company Gray Associates. "It is extremely difficult to cut at a college and fix your financial problems," he says. In fact, cuts can sometimes make a college's financial problems worse.

If a college makes program cuts that are covered by the news media, that publicity could ripple through to students, prospective students, and their parents. "Everybody will be worried that that college, especially if it's a small independent, is not viable," Atkins says. "That will start to hurt your enrollment, which, by the way, will make your economics worse."

In that case, while colleges may reduce their costs, they may also reduce their revenue just as fast or faster, he says, a move that could eventually put them out

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of business. And the strategy of raising tuition to meet increasing costs and inflation has run its course, he says.

To avoid causing reputational damage to the institution, college leaders should launch a sophisticated marketing and communications plan, says Friga, the UNC-Chapel Hill professor and education consultant. That plan should present the need and rationale for changes, and explain why the changes are positive and fit within the long-term vision of the institution.

Michael T. Benson has had to make those challenging decisions throughout his long career as president of several institutions, including at Utah-based Snow College in the early 2000s, at Southern Utah University during the 2008 recession, and most recently at Eastern Kentucky University.

To close a $25-million budgetary shortfall in 2018, Eastern Kentucky eliminated its men’s and women’s tennis teams, suspended several academic programs, closed a regional campus, and cut more than 150 positions through layoffs or attrition. Theater certificates and minors and an economics major and minor were among the programs that were suspended. Benson attributed the cuts to decreasing enrollment, state-funding declines, and increased pension costs.

At Southern Utah, leaders cut a German major, which caused “quite a bit of consternation,” says Benson, now president of Coastal Carolina University, a public institution in Conway, S.C. At Eastern Kentucky, “we had to make some tough choices, and sometimes it takes a while to come out of some of those hard choices,” he says.

Liberal arts are important, and any great college has at its core a solid group of liberal-arts courses, says Benson. Leaders of liberal-arts colleges may face existential moments when they will need to make the case that it’s important to have less-popular majors such as philosophy, economics, and theater, he says. Even so, universities will need to be responsive, he says, adding programs that students want to take but also removing programs that can’t fill up a classroom.

Improving Financial Health Through Growth

Clark University was able to find efficiencies through cuts, but it also found ways to expand enrollment by growing in other areas.

The university in recent years has expanded its graduate-student recruitment efforts to new international markets in South and Central America and other regions, and it introduced new student programming. That included beefing up its technology offerings by absorbing neighboring Becker College's [strong video-game-studies program] after the institution closed its doors in 2021, forming the new Becker School of Design and Technology at Clark.

The university has also expanded its graduate programs into areas where there is strong job demand, introducing master's degrees in computer science, project management, data analytics, sports and e-sports administration, marketing analytics, and accounting analytics.

Clark's efforts have worked. The number of first-year students enrolled at the university grew 20 percent in four years, from 582 in the fall of 2018 to 703 in the fall of 2022. During that same time period, the number of new students enrolling in graduate-level programming also surged 80 percent from 348 in the fall of 2018 to 627 in the fall of 2022.

"It's been an intentional approach to really build on areas of strength as a way to capitalize and become more visible in the market," says Royo, the provost.

Atkins, of Gray Associates, believes the only way an institution can place itself on solid financial footings is to figure out how to grow. That growth gives colleges the extra funding needed to cover unexpected costs amid inflation and enables them to make investments that will improve the quality of the institution and the programs it offers.

"Often people go down this cost-cutting path, based almost on religious belief that thrift is going to be good for us and times are tough so we have to cut back," Atkins says. "I'm not saying you don't cut back. You just have to be aware that the cutback isn't going to solve your problem."

> "You start by growing the things that you're already doing that have a growth opportunity. Then you look to fill in the gaps in new-program development that builds off of some kind of existing strength."

The assumption that colleges should cut all small programs because they lose money and don't matter very much to students or the institution is only partly true, he says. Some small programs do lose money and don't cover their costs, but others are very profitable or do actually benefit the institution.

So how can higher-ed leaders find programs to grow?

Colleges should look at programs or courses they are offering that have more of a growth profile, says Staisloff, the education consultant. "Let's go do more things that are successful, that are working. That's a good place to start," he says.

Colleges should also look at gaps between what they are offering and what the market is asking for, Staisloff says. However, when filling those gaps, they should be drawing on institutional


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experience. “You start by growing the things that you're already doing that have a growth opportunity,” he says. “Then you look to fill in the gaps in new-program development that builds off of some kind of existing strength.”

When financially strapped colleges do opt to grow, the impact can be transformational.

For several years following the 2008 economic recession, Loyola Marymount University, a private Jesuit and Marymount university in Los Angeles, operated on a tight budget and made no new tenure-line faculty hires other than replacing those who retired or left the university. In 2017, the university decided to grow its enrollment by drawing on its location in Silicon Beach, an area of the city known for having hundreds of technology companies, such as Google, YouTube, and MAX.

The following year Loyola Marymount opened a new campus next door to the social-media giant Meta, and moved its film and television graduate program there. That allowed the university to enroll more students at its main campus. Campus leaders also reserved portions of that enrollment revenue for new programming such as journalism, which in just three years has become one of Loyola Marymount’s fastest-growing majors.

That strategy has allowed the university to hire new faculty, including 25 tenure-line positions, as well as other term positions, says Thoms Poon, the university’s executive vice president and provost.

Loyola Marymount has also bolstered its liberal-arts majors and admissions, marketing, and communications efforts, as well as its student affairs, career, and professional-development support. The growth generated a new buzz around the university, says Poon. “Students saw that we were growing, students saw that we were able to fund many initiatives,” he says.

“Our team’s philosophy is you can’t really cut your way to success,” he says. “We’ve gone all-in on growth and embracing our industry neighbors.”

Evaluating Potential Program Cuts

In 2019, Elizabethtown College, a small private college in Lancaster County, Pa., faced declining enrollment numbers and a budget shortfall. By May of that year, the college had received 369 deposits for the fall semester from first-year or transfer students, but the college had planned for an entering class of 420 students in its preliminary operating budget.

Elizabethtown that year faced a budget deficit of $12 million, according to John F. Champoli, vice president for enrollment management and dean of graduate and professional studies. In response to those worrying trends, the college ended its theater and philosophy majors and two other minors and eliminated 21 staff positions through attrition and layoffs.

When making those cuts, Elizabethtown leaders and consultants with Gray Associates dug into program data that showed that those programs were not performing well and that there wasn't a lot of demand for them among prospective students, says Champoli.

When considering faculty workload and how to increase efficiency, evaluating faculty members based on the number of courses they teach is not an ideal approach, says Staisloff. Administrators should instead review throughput, or how many credit hours faculty members generate.

"By paying attention to throughput, you can really start to increase the teaching activity of each faculty member," says Staisloff. That could help to reduce costs and generate more tuition and fee revenue.

Institutions should also look at the time professors spend directly involved in instruction as well as how much money faculty-release time or other non-teaching-related activities are costing the university. If a professor's schedule has room to take on an additional class, it can circumvent the need to hire an adjunct.

"That can really bear a lot of fruit because the least-expensive instructor is a full-time tenured professor who has a full load," Atkins says. "If they come in and teach another class, it costs nothing because you're already going to pay them."

Healthy colleges, says Benson of Coastal Carolina, perpetually assess their academic programs. And in recent years, many colleges have set up administrative offices that exclusively look for efficiencies.

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Before making cuts at Eastern Kentucky, Benson, under the direction of the Board of Regents, assembled a committee that included administrative and faculty

leaders. The committee looked holistically at the cost of education, searching for areas where they could consolidate departments or create new programs. That committee reviewed student credit hours and enrollment of programs and declared majors.

When determining whether to cut a program, college leaders should evaluate whether a market exists for it, says Atkins, of Gray Associates. That means understanding whether students are interested in the program, whether there are available jobs for graduates, whether it's meeting the institution's academic standards, and whether it's aligned with the institution's mission.

When done thoughtfully and strategically, program cuts, while painful, can lead to positive outcomes.

The data-driven cuts at Elizabethtown allowed the college to invest in other areas, such as physician-assistant and exercise-science programs and an expanded engineering department that offers new courses such as mechatronics, Champoli says. And it is now investing in online learning to attract adult learners with a fast-track approval process for new academic programs.

Enrollment at the college has grown since the cuts, with 518 incoming students in the fall of 2022. As of May 1, the college had received 560 deposits from first-year students for the fall of 2023 semester, according to Keri Straub, an Elizabethtown spokesperson and liaison to the board. And the college is anticipating it will operate with a balanced budget by fiscal year 2025, she says.

"It's an incredible turnaround for the institution financially," says Champoli. But, he says, the cuts only played a small part.

"What changes things is the actual mind-set and that paradigm shift amongst the campus community," he says. "The way of doing business that colleges have done for so long, that needs to change if we're going to stay relevant."

Collaboration Is Key

When making programming or faculty cuts, senior leadership and board members need to understand that the changes they make will receive resistance and should be prepared so they don't deviate from the path, Staisloff says. "There's no way to do this work and totally avoid the kind of pushback and noise," he says. "You can moderate it, but you can't eliminate it."

The key to mitigating negative reactions is involving a range of campus community members, including faculty, staff, and even students in the process, college leaders and consultants say.

Over the past three years, Elizabethtown has held daylong, off-campus retreats for senior leadership and key faculty members to review market data relating to its program portfolio and to discuss which of them are performing, not performing, or have potential growth capacity, says Champoli.

Elizabethtown's president, Elizabeth Rider, a longtime faculty member and administrator, has built a high level of credibility and trust with faculty, says Champoli. That has allowed her to explain to the campus community why some tough decisions have been made and what the future of the institution will look like as a result, he says. Benson, of Coastal Carolina, meets with the executive committee of the university's Faculty Senate every month to make sure both sides are communicating and know what's going on. Student leaders and the board are also consulted.

"There are a lot of people that have to be part of that conversation," he says. "I found that the more you can keep people apprised of what's going on and what's on the table" does not ever make it easy to accept those decisions, but "it makes it more palatable, and it makes it more understandable."

When reviewing potential cuts, Staisloff says, college leaders need to clearly explain to the campus community what the rules of the process will be: How will input be received? When will decisions be made? How will information be shared?

And, most importantly, what's the role for each stakeholder?

Faculty members, staff, students, alumni, and board members may want different roles in the process than those assigned to them, says Staisloff. But they can usually accept roles that the president has clearly outlined for them. A stakeholder may get upset, however, if they ended up with a different role than what they were expecting, especially if they were under the impression that they would be a decision-maker, he says.

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Robust engagement can provide a sense of transparency throughout the process, says Staisloff. But that doesn't mean every stakeholder should be a decider in the process, he says.

Some institutions are operating under tight timelines due to requirements set by governors, legislatures, or system heads. Others are facing significant operating deficits that need to be corrected quickly. College leaders need to find a balance between transparency and making the best decision for the institution, while moving forward with the process quickly, he says.

When making these changes, college leaders need to share data showing the sense of urgency to faculty, Friga says. Many colleges "look like they have an unsustainable future without significant changes," he says. "So you have to present that case to your faculty, to your community." Then college leaders need to engage with faculty, and sometimes outside consultants, to ensure the changes are expedited.

Faculty involvement surrounding the changes at Clark has been intentional and the process has been "bottom up," erring on the side of being inclusive, says Royo. The process has taken longer, but it has helped leaders gain buy-in from the campus community. "I think that's paying off," he says. "I wish sometimes we could move more quickly, but I'm convinced that it's the right thing to do."

CONCLUSION

As college leaders grapple with growing costs and smaller enrollments, they can find new efficiencies by performing a thorough academic-program review and deciding whether to cut underperforming programs and courses, or add new ones to meet student and employer demand.

Several considerations go into program review, including analysis of faculty productivity and workloads, profitability by major and department, enrollment trends, and market demand. When making cuts, college leaders need to ensure that the process is inclusive, bringing in a wide range of stakeholders throughout the campus community to garner support and limit negative reactions. However, leaders need to balance that process with the need to act quickly and to guard against publicity that could be damaging reputationally.

Cuts on their own are rarely a path to stability. Colleges that pursue thoughtful reductions while also building on institutional strengths and making investments in key academic areas likely to grow are better positioned for the future.

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